

# IDAHO OUTLOOK

## NEWS OF IDAHO'S ECONOMY AND BUDGET

STATE OF IDAHO

DIVISION OF FINANCIAL MANAGEMENT

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Idaho's economy continues to grow, but not all of its sectors are prospering. The state's resource-based industries (timber, mining, and agriculture) continue to face hard times. Falling timber-related employment caused the forest sector to pass its title of Idaho's largest durable manufacturing employer to the fast growing high-tech sector. This sector's employment has declined from 15,500 jobs in 1993 to 13,400 jobs in 1999. This drop occurred as the result of unfavorable structural and cyclical factors. The most significant change has been the reduced availability of logs from public lands. Uncertainty regarding timber supply has increased with President Clinton's proposal to expand roadless areas. Another problem is this sector's excess capacity. One estimate shows the industry is already geared up to produce 20-25% more lumber than is being consumed in North America and Asia. Unfortunately, not even the strongest housing market in recent memory has been able to reverse timber's fortunes. Given the challenges facing this sector, its employment is expected to decline through 2003.

MID-MARCH PRICES RECEIVED BY IDAHO FARMERS				
Commodity	Unit	Price		
		2000	1999	Change
<b>Crops</b>				
Alfalfa Hay	Ton	\$87.00	\$77.00	13.00%
Barley	Bu.	\$2.48	\$2.67	-7.10%
Dry Beans	Bu.	\$14.30	\$16.80	-14.00%
Potatoes	Cwt.	\$5.10	\$4.60	10.90%
Wheat	Bu.	\$2.43	\$2.56	-5.10%
<b>Livestock</b>				
Beef Cattle	Cwt.	\$65.90	\$58.40	12.80%
Lambs	Cwt.	\$68.00	\$62.00	9.70%
Milk	Cwt.	\$10.40	\$12.70	-18.10%
Note: Price for lambs in 2000 is for February.				
Source: Idaho Agriculture Statistics Service				

The mining sector's employment should be more stable – a welcome break from the job losses that have plagued the mining industry. The number of Gem State mining jobs dropped by nearly 500 from 1997 to 1999, due largely to falling metal prices caused by the Asian economic downturn. However, not all of its setbacks can be traced to this source. Some mines have reached the end of their economic lives, the most notable being Meridian Gold's Beartrack Mine in Lemhi County. After processing nearly 50 million tons of ore and waste, this mine is expected to wind down its operations. As of this May, only 25 of the mine's 121 employees remained at the site. Despite these setbacks, the sector faces the future with guarded optimism. First, the Asian economic crisis is showing signs that it has bottomed out. Second, it does not appear that central banks will be selling as much precious metals as they have in the past. Third, many operations in Idaho have cut employment to the point where further large reductions do not seem possible. This is not to imply that the future will be without its challenges. In addition to the slowing economy, non-metal mining employment will suffer under the additional weight of construction and agricultural problems. The expected flattening of the construction industry will hurt certain non-metal mining sectors, such as rock quarrying, sand, and gravel. Soft agricultural commodity prices will probably lead to acreage reductions, which would reduce fertilizer demand. This will affect companies in Southeast Idaho where phosphorus ore is mined and fertilizer is manufactured. Mining employment should hover between 2,500 and 2,700 over the forecast period.

The state's agricultural economy has shown some signs of recovery lately, but it still faces enormous challenges. As the accompanying table shows, the March 2000 prices for alfalfa hay, potatoes, and beef cattle are all higher than March of last year. Despite this improvement, farmers and ranchers are not expected to rush out to buy new pickup trucks anytime soon. This is because even after their recent upticks, prices remain low compared to historical averages. The average March price from 1994 to 1998 for alfalfa hay is \$93.17/ton, for all potatoes \$4.89/cwt., and beef is \$58.43/cwt. However, not all commodity prices have improved. Barley, wheat, dry beans, and milk prices are all lower than last year. One of the things that does seem to be going the farmers' way is water. Current indicators show water supplies should be sufficient this year. This should give the state's agricultural sector at least one less thing to worry about.

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## General Fund Update

As of April 30, 2000

<u>Revenue Source</u>	<u>\$ Millions</u>		
	FY00 Executive Estimate <sup>3</sup>	DFM Predicted to Date	Actual Accrued To Date
Individual Income Tax	892.2	808.4	856.3
Corporate Income Tax	99.3	83.3	96.7
Sales Tax	617.6	514.3	521.6
Product Taxes <sup>1</sup>	15.8	13.1	13.3
Miscellaneous	83.4	44.0	47.1
<b>TOTAL GENERAL FUND<sup>2</sup></b>	<b>1,708</b>	<b>1,463</b>	<b>1,535</b>

<sup>1</sup> Product Taxes include beer, wine, liquor, and cigarette taxes  
<sup>2</sup> May not total due to rounding  
<sup>3</sup> Revised Estimate as of January 2000

General Fund revenues were \$40.7 million higher than expected in April, bringing the fiscal year-to-date receipts to \$71.9 million above the predicted amount. Fully \$35.2 million of April's receipts were due to stronger-than-expected individual income tax collections. All other revenue categories were within a normal range of monthly fluctuation.

The individual income tax was boosted by filing collections that were \$18.6 million higher than predicted in April, withholding collections that were \$12.3 million higher than predicted, and refund payments that were \$3.9 million lower than predicted. The stronger-than-expected filing collections are a result of two factors: much stronger economic performance in Idaho in 1999 than was previously forecast, and the bullish conditions in the stock market that have given rise to substantial investment-related profit taking. The lower-than-expected refund payments are consistent with the general trend toward earlier refund processing. Year-to-date refunds are actually several million dollars higher than predicted at this time. The surprising element of the individual income tax strength in April was in the withholding category, which grew 26% over April 1999. Upon closer examination, it turns out that fully half of the nearly \$15 million gain from a year ago was due to withholding on large bonuses. Another \$1.7 million of the gain was due to a single employer (the State of Idaho) making three withholding payments during April.

The corporate income tax was moderately (\$6.2 million) ahead of the predicted amount for April. The big gain came in the form of quarterly estimated payments that were 140% higher than a year earlier, and 53% higher than the previous April record of \$14.0 million collected in FY 1997. Although April's estimated payments exceeded the predicted level by \$8.7 million, filing collections were slightly (\$2.6 million) lower-than-expected, and refunds were very close to the predicted level for the month.

The sales tax was \$1.9 million higher than predicted in April, bringing the year-to-date receipts to \$7.3 million above the predicted amount. This strength is consistent with the revised economic data and forecast, although continued interest rate increases should start having an impact on larger discretionary transactions.

The product taxes were slightly above the target for the month, and the miscellaneous revenue category was below the target by \$2.7 million in April. Virtually the entire under-performance in April is due to interest earnings, and simply reflect earlier-than-usual payback of Tax Anticipation Note borrowing.